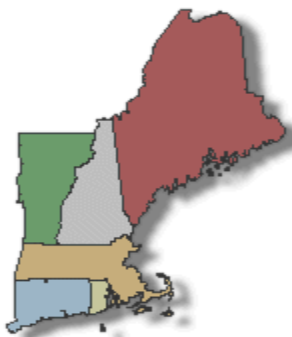




Guaranteed Rural Housing Loan Program



New England Handbook

www.rurdev.usda.gov/MA

Overview of the Guaranteed Rural Housing Loan Program

- This is the lender's loan. Lenders underwrite and approve loans using their own forms along with some Rural Development (RD) forms.
- 100% financing. No down payment required. The GRH fee may be included in the loan amount in excess of the RMV for up to 102% financing.
- Guarantee fee is 2.0 of loan amount.
- Single family homes, townhouses and approved condos in eligible rural areas.
- Income limits - 115% of the HUD median income limits.
- Repayment Ratios: PITI = 29% & total debt ratio = 41%. Ratio waivers are available with compensating factors.
- Loans saleable in secondary market and to SHFA.
- Closing costs can be included in the loan (points cannot be included unless applicant is low income). If sale price is less than appraised value borrower can include closing costs up to appraisal amount.
- No limit on seller contributions.
- Fixed Interest Rates - Rate may not exceed the FNMA 90 day yield rate plus 60 basis points rounded up to the next full quarter percentage. See Fannie Mae website: <https://www.efanniemae.com/sf/refmaterials/hrny/index.jsp>
- 30 year term.
- No loan amount limit.
- Refinancing Rural Development direct and guaranteed loans is allowed under certain conditions. Guarantee fee is 1.5% for refinancing.

*Lender policies may be more restrictive than RD Guidelines

Information in this handbook is subject to change. Register for the Guaranteed Rural Housing newsletter at: www.rdlist.sc.egov.usda.gov/listserv/mainervlet for current GRH program updates.



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New England Websites

MASSACHUSETTS/CONNECTICUT/RHODE ISLAND:

WWW.RURDEV.USDA.GOV/MA

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Applicant Eligibility

Eligible Income: The household's adjusted annual income cannot exceed the appropriate moderate income limit in **Exhibit C of RD Instruction 1980-D**. To determine whether a borrower's income is eligible based on the property location please visit:

<http://eligibility.sc.egov.usda.gov>

Adequate and Dependable Income: RD requires lenders to project the next 12 months of income based on current and historical income (see page 4).

Repayment Ability: The applicant must demonstrate adequate repayment ability. The applicant is considered to have adequate repayment ability when the ratio of the proposed housing costs to income does not exceed 29% and the Total Debt Ratio does not exceed 41%. Ratio waiver requests must be accompanied by documentation of compensating factors.

Credit History: The applicant must have a credit history which indicates a reasonable ability and willingness to meet obligations as they become due.

Previous Loan: The applicant cannot have had a previous RD loan which resulted in a loss to the government unless RD determines the loss was beyond the applicant's control.

Other Federal Debt: The applicant cannot be delinquent on any tax or non-tax debts and there can be no judgment liens against the applicant's property for a debt owed to the Federal Government. The Lender will check HUD's Credit Alert Interactive Voice Response System: <http://www.hud.gov/offices/hsg/sfh/sys/caivrs/caivrs.cfm> (GUS users automatically obtain CAIVRS through the system).

Present Housing: The applicant cannot presently own a dwelling which is in the local commuting area and is structurally sound, functionally adequate and large enough to accommodate the needs of the applicant's household.

Other Credit: The applicant must be unable to obtain the necessary conventional credit without a RD Guarantee.

Citizenship: The applicant must be a citizen or a non-citizen who is a qualified alien.

Legal Capacity: The applicant must possess the legal capacity to incur the loan obligation.

Occupancy: The applicant must have the potential ability to personally occupy the home on a permanent basis.

Income & Ratio Calculation Worksheet

Income and Property Eligibility Website:
<http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>

Name of applicant(s) _____

Employee Initials _____ Date of Calculation _____

Applicant \$ _____

Co-applicant \$ _____

Other \$ _____

Total \$ _____

Adjustments to Income:

1. No. of minors: _____ X \$480 \$ _____

2. No. of disabled/handicapped adults: _____ X \$480 \$ _____

3. No. of full time adult students: _____ X \$480 \$ _____

4. Deduct \$400 for an Elderly Family \$ _____

5. Planned child care deduction (include documentation) \$ _____

6. Medical expenses for an elderly family > 3% of gross annual income \$ _____

Total Adjustments \$ _____

Subtract total deductions from annual income to arrive at adjusted annual income for program eligibility purposes

\$ _____

Show moderate income limit here \$ _____

Ratio Calculations (using repayment income)

Mortgage payment + taxes + insurance = total / monthly income = PITI ratio

_____ + _____ + _____ = _____ / _____ = _____

Total Housing Costs + other monthly debt = total / monthly income = Total debt ratio

_____ + _____ = _____ / _____ = _____

Debt Ratio Waivers

Waivers may be granted to housing and debt ratio limits if the overall evaluation of the application indicates that there are acceptable compensating factors. Examples of common compensating factors are:

- A credit score of 680 or higher. The scores are known as Beacon, Empirica and Fair Isaac scores. If the borrower's credit report contains two scores, then the lower of the two should be used. If the credit report has three scores, then the middle score should be used. No additional documentation is required.
- The borrower has demonstrated a conservative attitude toward the use of credit and ability to accumulate savings.
- Previous credit history shows that the borrower has the ability to devote a greater portion of income to housing expenses (i.e.. The applicant has a history over the previous 12 month period of devoting a similar percentage of income to housing expense to that of the proposed loan, or accumulating savings which, when added to the applicant's housing expense, shows a capacity to make payments on the proposed loan).
- The borrower receives compensation or income not reflected in annual income, but directly affecting the ability to pay the mortgage, including food stamps and other similar public benefits.
- There is only a minimal increase in the borrower's housing expense.
- The borrower has substantial cash reserves after closing.
- The borrower has substantial non-taxable income not previously accounted for in the ratio computations.
- The borrower has potential for increased earnings, as indicated by job training or education in the borrower's profession.
- The home is being purchased as a result of, and/or relocation of, the primary wage-earner and the secondary wage-earner has an established history of employment, is expected to return to work, and there are reasonable prospects for securing employment in a similar occupation in the new area. The underwriter must address the availability of such possible employment.
- A low TD ratio. A low TD ratio by itself does not compensate for a high PITI ratio, however, when other strong compensating conditions are present, a low TD ratio should be viewed as a positive mitigating factor.
- The lender must request a debt ratio waiver in writing and list compensating factors.

Credit History

The applicant must have a credit history which indicates a reasonable ability and willingness to meet obligations as they become due. Any of the following are indicators of an unacceptable credit history unless the cause of the problem was beyond the applicant's control:

- Incidents of more than one secured or unsecured debt payments being more than 30 days late if the incidents have occurred within the last 12 months. This includes more than one late payment on a single account.
- Loss of security due to a foreclosure if the foreclosure has occurred within the last 36 months.
- Outstanding tax liens or delinquent Government debts with no satisfactory arrangements for payments, no matter what their age, as long as they are currently delinquent and/or due and payable.
- A court-created or affirmed obligation (judgment) caused by non-payment that is currently outstanding, or has been outstanding, within the last 12 months.
- Two or more rent payments paid 30 days or more past due that have occurred within the last three years.
- Accounts which have been converted to collections within the last 12 months (utility bills, hospital bills).
- Collection accounts outstanding with no satisfactory arrangements for payments, no matter what their age as long as they are currently delinquent and/or due and payable.
- Debts written off within the last 36 months.

The following does not indicate an unacceptable credit history:

- No credit history.
- A bankruptcy discharged more than 36 months prior to application date.
- A satisfied judgment or foreclosure with no loss of security which was completed 12 months before the date of application.

Acceptable sources of credit verifications: Any form of the below mentioned reports should indicate on the report that it meets the standards of Fannie Mae, Freddie Mac, HUD or VA.

- RMCR: (Residential Mortgage Credit Reports) - this is preferred.
- MMCR: (Merged, Tri-Merged, or Multi-Merged Credit Reports) - acceptable as long as the applicant is not disputing the contents of the report.
- NTMCR: (Non-Traditional Mortgage Credit Reports) - to be used only when applicant has no previous trade sources developed.
- Alternative credit such as utility statements, copies of cancelled checks for rent, etc. can be used when applicant has no trade sources developed.

There is no established minimum credit score for eligibility.

Credit scores of 640 and above may eliminate the need for lender documentation of credit waivers.

Underwriting Issues

Seller Concessions:

Seller concessions cannot be used to pay down buyer's debt.

Deferred Student Loans and Debt Ratio Calculations:

Deferred student loans should be included in the debt ratio calculations regardless of the deferment period. If the credit report does not indicate a monthly repayment amount, Lender may use the monthly payment amount provided by the loan servicer, or 1% of the loan balance reflected on the RMCR.

Risk Layering:

Refers to the existence of multiple levels of risk in an application such as marginal credit, high repayment ratios, extensive use of other credit, payment shock, etc. Lenders should be very cautious when evaluating applications with multiple risk levels.

Payment Shock:

Measured by dividing the new PITI by previous housing expenses minus 1. In cases where payment shock is 100% or higher, no additional risk layering should be allowed unless strong compensating factors are present.

Example:

New PITI = \$1,500

Current Rent = \$650

$$\$1500 \div \$650 = 2.30 - 1 = 1.30 \text{ or } 130\%$$

The payment shock in this example is above 100% and therefore is a risk factor.

Credit Waivers:

The lender approves a credit waiver and supplies all back up documentation used in the decision making process. Lender must document that the instances of unacceptable credit must have been temporary in nature and beyond the applicant's control or the result of a justifiable dispute relative to defective goods or services. A lender need not require collection accounts to be paid in full if there are mitigating circumstances as described in RD Instruction 1980.345 (d)(3).

Credit scores of 640 and above may eliminate the need for lender documentation of credit waivers.

Interest Rate Buydowns:

Temporary interest rate buydowns are permitted with prior RD approval. Underwriting requirements for temporary interest rate buydowns include:

- The mortgage loan must be underwritten at the note rate.
- Buydown funds may come from the seller, lender, or third party.
- Buydown funds may not come from the borrower.
- The initial interest rate is temporarily reduced no more than 2% below the note rate and increased by no more than 1% annually for no more than 2 years.

Loan Purposes

Loan Purposes

1. Purchase and improve an existing single family dwelling, including condominiums and zero lot line properties, PUD's, etc.
2. Purchase of an eligible condominium unit. See page 10 for guidelines.
3. Purchase of a minimum adequate site and construction of a single family dwelling.
4. A loan for the acquisition of a newly constructed dwelling, where the lender makes the required inspections or an acceptable 10 year warranty plan is provided, may be made for up to 100% of the appraised value or the cost of acquisition and necessary development, whichever is less. A loan for the acquisition of an existing dwelling and development, if any, may be made for up to 100% of the appraised value or the cost of acquisition and necessary development, whichever is less.
5. Purchase of a new manufactured home from an RD approved dealer/contractor placed on a site owned, or to be owned by an applicant.
6. Application, appraisal and closing fees.
7. Refinancing direct and guaranteed rural housing loans under certain conditions.
8. The GRH fee may be included in the loan in excess of the RMV. The guaranteed fee is always based on the final full loan amount, including any portion of the fee that may be financed as part of the loan.

Prohibited Loan Purposes

1. Purchase of an existing manufactured home.
2. Payment of points except for low income borrowers to reduce their interest rate.
3. Purchase of furniture or other personal property.
4. Refinancing of debts owed other lenders.
5. Purchase or improvement of income producing land or buildings.
6. Payment of fees, charges or commissions such as finder's fees or placement fees.
7. No cash back to borrower except to reimburse for pre-pays.

Site & Building Requirements

- The property must be a single family dwelling or an approved condominium unit.
- The property must be located in an eligible rural area. See property eligibility website: <http://eligibility.sc.egov.usda.gov>
- The property must be located on a hard surface or all-weather road.
- Dwellings must be located on a site which does not exceed 30% of the total value of the property. The 30% limitation may be exceeded when the value of the site is typical and cannot be subdivided into two or more lots.
- The property cannot be located in a floodplain unless all of the following requirements are met:
 1. The dwelling must be in a town which has an approved Flood Plain Management Plan.
 2. The location of the dwelling and planned development must be in accordance with the Flood Plain Management Plan.
 3. The environmental impact and feasible alternatives must be reviewed by Rural Development.
 4. The first floor elevation must be above the 100 year flood zone elevation.
 5. Flood insurance must be obtained.
- The dwelling must be determined to be decent, safe and sanitary. This can be verified by a home inspection report or by an appraiser designated on the FHA Register.
- Property must only be one unit. No in-law suites or basement apartments acceptable.

Existing Dwelling

- The Lender is responsible for all appraisals and inspections.
- The Lender will certify that the dwelling has adequate electrical, plumbing, heating, water and waste disposal systems and is free of wood boring insects; and meets requirements of HUD handbooks 4150.2 and 4905.1.
- The Lender certifies that all required development has been completed.

Condominiums & Zero Lot Line Properties, PUD's, etc.

Condominiums and zero lot line properties, PUD's, etc. are eligible for financing under the Rural Development Guaranteed Rural Housing Loan Program if they meet the following requirements:

Condominiums:

- The complex must be served by a homeowners association.
- A condominium must be approved or accepted by HUD, VA, Fannie Mae, Freddie Mac, or lenders can warrant that they have reviewed the condominium documentation, that the condominium meets the requirements of HUD, FNMA, FHLMC and that the documentation remains available in the lender file for verification purposes.
- Lenders may use a special condominium appraisal report in place of the Uniform Residential Appraisal Report provided it is an approved Fannie Mae/Freddie Mac Condominium Appraisal Form.

Zero Lot Line Properties, PUD's, etc.:

- The complex must be served by a homeowners association.
- The homeowners association must be under the control of the homeowners, not the developer.
- The homeowners association must take monthly deposits into an escrow account. The amount deposited into the escrow account must be sufficient to pay for regular maintenance, plus emergency repairs of common areas.
- The property must be acceptable to HUD, VA, Fannie Mae or Freddie Mac.
- Leaseholds acceptable under specific conditions.

New Construction

New Construction is defined as a dwelling to be built or a dwelling which is less than 1 year old and has never been occupied.

Lender will obtain the following:

- Certified Building Plans and Specifications. Although plans and specs must be obtained by the Lender, the Lender need not submit a copy to the RD Field Office for review. Lender may use Form RD 1924-25, *Plan Certification*, to certify that the dwelling has been built in accordance with applicable development standards.
- Evidence that the three required inspections have been completed. They include:
 1. When the foundation is in but prior to backfilling.
 2. When the shell is closed but plumbing, electrical and mechanical systems are still exposed.
 3. When construction is 100% complete.
 4. The first two inspections are not required when the builder supplies an insured 10 year warranty.
- Inspections must be completed by someone deemed qualified by the Lender.
- A Builder's Warranty is issued which provides for at least a 1 year warranty from the date of completion.

Rates, Terms & Fees

Interest Rate

The interest rate must be fixed for the entire note. The rate may not exceed the current 90 day Fannie Mae rate plus 60 basis points rounded up to the nearest quarter of one percent. Historical rates can be found here: <https://www.efanniemae.com/sf/refmaterials/hrny>

Terms of Loan Repayment

The term of the loan must be for 30 years. Principal and interest shall be due and payable monthly.

Guarantee Fee

The Lender will pay a one time non-refundable fee equal to 2.0% of the loan. The fee is 1.5% of the loan amount for refinancing RD Direct and Guaranteed loans. The guarantee covers 90% of the original loan amount. The fee may be passed on to the borrower. There are no monthly charges. The GRH fee may be included in the loan in excess of the RMV. The guarantee fee is always based on the final full loan amount, including any portion of the fee that may be financed as part of the loan.

Example: If the appraised value of the subject property is \$200,000, the base loan amount before including the guarantee fee is capped at \$200,000. The total loan amount including the guarantee fee may be calculated as follows:

$$\begin{aligned} \$200,000 / .98 &= \$204,082 \text{ (loan amount including the guarantee fee)} \\ \$204,082 \times 2.0\% (.02) &= \$4,082 \text{ (guarantee fee)} \end{aligned}$$

Servicing Fee

There will be an annual servicing fee of 0.3% for both purchase and refinance transactions.

Charges and Fees by the Lender

The Lender may establish charges and fees for the loan provided they do not exceed those charged other customers for similar transactions. Late payment fees may be assessed but these are not covered by the guarantee. Late payment fees cannot exceed the maximum amount prescribed by HUD, FNMA or FHLMC.

Appeals

The borrower and lender can jointly appeal a Rural Development administrative decision which directly or adversely affects them. The lender only may appeal cases where Rural Development has reduced or denied the amount of the loss payment to the lender. The applicant has no appeal rights to the RD regarding the Lender's loan making and servicing actions.

Escrows

Escrow accounts must be established to insure the payment of real estate taxes and homeowners insurance. ***New England Escrow Pilot Program:** if planned development does not affect the livability of the dwelling or affect the health and safety of the occupants, RD may issue the loan note guarantee at closing provided the lender establishes an escrow covering 100% of the estimated cost of development and a signed contract providing for completion of the work within 180 days of loan closing. Lender must provide proof of final inspection once work is completed.

Appraisals

An appraisal of all property serving as security for the proposed loan will be completed. A copy of the appraisal will be submitted to Rural Development for review with the request for loan guarantee. The lender may pass the cost of the appraisal on to the borrower.

Qualified Appraiser:

The lender will use a qualified appraiser to make residential real estate appraisals. If the appraiser does not hold a designation from a professional organization, the lender will obtain prior approval from RD. In those states which have implemented FIRREA, the appraiser must be properly licensed or authorized, as appropriate, to perform residential appraisals in the area in which the property is located. Lender should use a HUD-approved/roster appraiser.

Appraisal Report:

For all appraisal reports, the Fannie Mae/Freddie Mac form 1004 MC, “Market Conditions Addendum to the Appraisal Report”, is required. In addition, the following appraisal forms are acceptable:

1. Uniform Residential Appraisal Report (URAR) (FNMA Form 1004/FHLMC Form 70) for one unit, single family dwellings;
2. Manufactured Home Appraisal Report and addendum (FNMA Form 1004C/FHLMC Form 70B) for all manufactured homes;
3. Individual Condominium Unit Appraisal Report (FNMA Form 1073/FHLMC Form 465) for all individual condominium units.

The appraiser must complete the following steps:

- Use the most recent revision of the appraisal form.
- Perform both an interior and exterior inspection of the subject property.
- Provide a description and analysis of the subject property, neighborhood, site and improvements.
- Complete a sales comparison analysis including at least three (3) comparable properties, providing specific sales or financing concession information for the comparables.
- Develop the cost approach to value only in cases in which it is:
 - a. Requested by the lender.
 - b. Considered by the appraiser to be a good indicator of value of the property.
- **Include an opinion of value for the site in all cases.** If site value is greater than 30% of the total value of the property, the appraiser should provide opinions regarding whether the value of the site is typical for the area, and whether the site can be subdivided into two or more sites.
- Attach a narrative explanation supporting unusual adjustments.
- Include other comments, data, and exhibits if needed to describe the subject property, document analysis and valuation or to support the appraiser’s conclusions.
- Include clear, descriptive photographs of the front, rear and street views of the subject property.
- Include clear, descriptive photographs of the front view of each comparable sale.
- Provide an adequately supported estimate of value.
- Appraiser or inspector should document compliance with HUD Handbook’s 4150.2 and 4905.1.

RD Review:

An administrative review of the appraisal will be done by an RD representative prior to issuance of a Conditional Commitment for Guarantee. RD will also conduct Technical Desk and Technical Field Reviews as determined necessary.

Rural Development Review of Applications

When an application package is submitted to a Rural Development Office, the approval official will review it for completeness and determine whether the proposed loan is to an eligible applicant and for an eligible loan purpose. The RD representative will also review the applicant's repayment ability, the sufficiency of the collateral and determine if the environmental requirements are met.

Incomplete Applications:

RD will contact the Lender if the application is incomplete. Incomplete applications will be returned to the Lender if the package will not or cannot be made complete within 3 working days.

Denial:

If RD determines it is unable to guarantee the loan, the Lender will be informed in writing. Such notification will include the reasons for denial and appropriate appeal or review rights.

Issuance of Conditional Commitment:

When RD determines it can guarantee the loan, the approval official will prepare Form RD 1980-18, *Conditional Commitment for Single Family Housing Loan Guarantee*, listing all approval requirements and send an original and one copy to the lender. **The Conditional Commitment shall be valid for a period of 90 days with an option by RD to renew for an additional 90 days.**

Accepting Conditions:

After reviewing the conditions of the Conditional Commitment, the Lender may proceed with loan closing. Any revisions to the terms of the Conditional Commitment must be approved by Rural Development and Form RD 1980-18, *Conditional Commitment for Single Family Housing Loan Guarantee*, must be revised.

Canceling the Commitment:

If prior to loan closing the Lender decides that it no longer wants a Loan Note Guarantee, the Lender should immediately advise the RD approval official.

Requirements for Issuance of Loan Note Guarantee

1. Lender Certification (The Lender Certification is located on Form RD 1980-18, *Conditional Commitment for Single Family Housing Loan Guarantee*).

The lender must certify to the following:

- a) No major changes have been made in the Lender's loan conditions and requirements since the issuance of the Conditional Commitment, except those approved in writing by Rural Development.
- b) All planned property acquisition and all planned development has been completed.
- c) The required insurance coverage is in effect.
- d) Truth-in-Lending requirements have been met.
- e) All Equal Employment Opportunity and Non-Discrimination requirements have been met.
- f) The loan has been properly closed and the required security instruments have been obtained.
- g) The borrower has marketable title to the collateral then owned by the borrower, subject to the instrument securing the loan to be guaranteed.
- h) Lien priorities are consistent with the requirements of the Conditional Commitment for Guarantee.
- i) The loan proceeds have been disbursed for the purposes and in amounts consistent with the Conditional Commitment for Guarantee.
- j) There has been no adverse change in the borrower's financial condition or other adverse change in the borrower's situation since the Conditional Commitment for Guarantee was issued by Rural Development.

2. Inspections: Lender will ensure that all required inspections have been completed and documented in the lender file, including repairs.

3. Lender File: The Lender will maintain a file for each Guaranteed Rural Housing loan containing originals or copies as appropriate of all documents pertaining to the loan.

4. Reporting Loan Closing: The Lender will prepare Form RD 1980-19, *Guaranteed Loan Closing Report*, and deliver it together with the guarantee fee and Lender Certification to the RD Field Office.

5. RD Review: RD will review the items submitted by the Lender to assure compliance with the conditions of the guarantee. If all requirements have been met, the RD will execute Form RD 1980-17, *Loan Note Guarantee*, and send to the Lender.

Loan Workflow

1. Lender:

- a. Takes application.
- b. Obtains required documentation.
- c. Underwrites the loan in accordance with RD guidelines.
- d. Submits loan package to RD for manual review OR submits electronically via the Guaranteed Underwriting System (GUS) - see pages 18 & 21.

2. Rural Development:

- a. Reviews loan package and obligates funds.
- b. Issues Conditional Commitment to lender usually within 48 hours.

3. Lender:

- a. Receives the Conditional Commitment.
- b. Closes the loan.
- c. Sends closing package with Guarantee Fee to RD area office. The closing package consists of the following:
 - Lender Certification (Form RD 1980-18, *Conditional Commitment for Single Family Housing Loan Guarantee*).
 - Loan closing report (Form RD 1980-19, *Guaranteed Loan Closing Report*).
 - A copy of the Promissory Note.
 - Any other conditions listed in the Conditional Commitment.
 - A copy of the HUD 1 Settlement Statement

4. Rural Development:

- a. Reviews lender's closing package.
- b. Issues Loan Note Guarantee (Form RD 1980-17, *Loan Note Guarantee*).

5. Lender:

- a. May sell loan/servicing to secondary mortgage market or servicing lender.

Exhibits for Guaranteed Rural Housing Loan Program

The following is provided for lender guidance:

- Exhibit A *Application Checklist*, found on page 18.
- Exhibit B *New England Escrow Waiver Request* (required if applicable), found on page 19.
- Exhibit C *Loan Closing Package Checklist*, found on page 20.

Required Forms for Guaranteed Rural Housing Loan Program

Form #	Form name	Applicant signature	Lender signature	Agency signature	Purpose of form
1980-21	<i>Request for Single Family Housing Loan Guarantee</i>	Yes	Yes		Request for Guarantee/Privacy Act information
1980-18	<i>Conditional Commitment for Single Family Housing Loan Guarantee</i>		Yes	Yes	Loan Commitment
1980-19	<i>Guaranteed Loan Closing Report</i>		Yes	Yes	Report on Closing
1980-17	<i>Loan Note Guarantee</i>			Yes	Guarantee for Loan

Application Checklist

Exhibit “A”

To be completed by the lender and submitted with Form RD 1980-21, *Request for Loan Note Guarantee*.

- _____ *Form RD 1980-21, Request for Loan Note Guarantee. Applicant and Lender signatures are required.
- _____ Signed application - Lender's Form.
- _____ Credit report - obtained by lender.
- _____ Signed Lenders Loan Underwriting Analysis i.e., Fannie Mae Underwriting Transmittal Form, etc.
- _____ *Appraisal Report (URAR). Lender will use a qualified appraiser.
- _____ *FEMA Form 81-93, *Standard Flood Hazard Determination*.
- _____ Written verification of income. Use Income Calculation Worksheet (†see below).
- _____ Copy of Purchase and Sale Agreement.
- _____ If a Mortgage Credit Certificate is used, a commitment regarding Applicant's eligibility.
- _____ Cost estimates for necessary repair work. Borrower must execute Form FmHA 400-1, *Equal Opportunity Agreement*, if contract is for more than \$10,000.
- _____ For existing dwellings, a lender inspection certification.
- _____ Check HUD's CAIVRS and write verification number on line #13 of Form 1980-21, *Request for Loan Note Guarantee*
- _____ New England Escrow Waiver Request, if applicable (see page 19 of handbook).

***Only these documents need to be submitted if the loan is submitted through the Guaranteed Underwriting System (GUS) with an “accept”.**

†Acceptable documentation includes:

1. Verification of Employment AND most recent paycheck stub; OR
2. Paycheck stubs covering the most recent 30 day period AND 2 years' W-2's AND telephone verification

Exhibit “B”



NEW ENGLAND ESCROW WAIVER REQUEST

(Lender)

(Applicant)

(Escrow Contact Person)

(Property Location)

We are requesting a waiver of RD Instruction 1980-D, 1980.315, whereby the above applicant is allowed to establish an escrow account to complete planned development that does not meet the criteria of 1980.315. We are making the following certifications in connection with this request:

- ◆ The planned development does not affect the livability of the dwelling.
- ◆ The planned development does not affect health or safety of the housing occupants.
- ◆ The reason for the delay in completing the planned development is _____
- ◆ The escrow account in the amount of \$_____; covers at least 100% of the estimated cost of the development and will be held by the originating lender.
- ◆ We have a copy of the signed contract providing for the completion of the development work within 180 days of loan closing;

OR

The planned development will be completed by the borrower(s), the cost is less than 10% of the total loan amount and does not exceed \$5,000, and we have determined that the borrower has the knowledge and skills necessary to complete the planned development.

- ◆ Funds will be released by the lender upon receipt of a completion certificate, acknowledged by the borrower(s), indicating that all planned development has been satisfactorily completed.
- ◆ Completion certificate will be submitted to Rural Development within 30 days after the completion of the planned development. The final completion certificate must indicate that all repairs indicated on the property inspection report and/or development contract have been completed.
- ◆ As the origination lender, we understand that we are responsible for the escrow account and follow up to assure the development work is completed.
- ◆ We agree to apply any funds remaining after the planned development is complete as a principal reduction on the loan, with no cash to the borrower(s).

(Date)

Lender's Signature

This waiver request is hereby approved by Rural Development.

(Date)

Rural Development Signature

Loan Closing Package Checklist for Lenders

Exhibit "C"

Lender

Name: _____

Borrower

Name(s): _____

_____ Guarantee fee payable to: **USDA Rural Housing Service**
(.035 x loan amount = guarantee fee)
(.01 x loan amount = guarantee fee for refinancing)

_____ Completed Form RD 1980-19, *Guaranteed Loan Closing Report*

_____ Lender Certification - Form RD 1980-18 *Conditional Commitment for Single Family Housing Loan Guarantee*

_____ Copy of Promissory Note

_____ HUD - 1 Settlement Statement

_____ All other conditions listed in the Conditional Commitment



The Guaranteed Underwriting System is USDA Rural Development's automated underwriting system. It is similar to the nationally known Desktop Underwriter/Desktop Originator (DU/DO) and Loan Prospector (LP) systems.

GUS incorporates the underwriting requirements of RD Instruction 1980-D while utilizing a modified TOTAL scorecard and a rules based engine in a web-based automated underwriting environment. GUS will provide lenders with fast loan decisions and offer the following benefits:

- Consistent and objective loan decisions nationwide.
- Ease of use: simple and available 24 hours a day to users.
- Increased credit quality of guaranteed loans.
- Lower processing time and origination costs to lenders: **GUS IS FREE.**
- Improved service to approved lenders, streamlined documentation options and faster turnaround times for conditional commitments.
- Automated property and income eligibility determinations in seconds.

Loans submitted to GUS receive one of **three** feedback messages:

- **Accept:** Submit only the URAR appraisal, flood determination certificate, and a signed Form RD 1980-21, *Request for Single Family Housing Loan Guarantee*. The conditional commitment will be issued within 24 hours.
- **Refer, or Refer with Caution:** Do not conclude that the application fails to meet minimum agency standards with either of these feedback messages. Refer and Refer with Caution files can be manually underwritten with minimal essential documentation submitted to Rural Development.

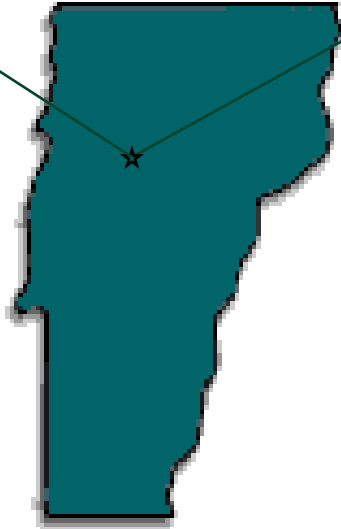
An additional feature GUS provides is the "Underwriting Findings Report" which indicates what items (if any) GUS identified as risks. Lenders will be able to address any noted concerns to speed the underwriting process.

Approved lenders interested in participating in GUS are encouraged to contact Rural Development for more information.

Rural Development Offices in Vermont/New Hampshire

Montpelier Area Office

City Center 3rd Floor,
89 Main Street
Montpelier, VT 05602
(802) 828-6003
(802) 828-6076 (fax)
TTY#: (802) 223-6365
Email: grh@vt.usda.gov
Servicing: All of Vermont



Vermont/New Hampshire State Office

Molly Lambert, State Director
City Center 3rd Floor,
89 Main Street
Montpelier, VT 05602
(802) 828-6068
(802) 828-6090 (fax)
TTY#: (802) 223-6365
On the web: www.rurdev.usda.gov/vt
Servicing: All of Vermont.

Concord Area Office

Concord Center
10 Ferry Street, Suite 218
Concord, NH 03301
(603) 223-6035
(603) 223-6061 (fax)
TDD #: (603) 223-6083
Email: grh@nh.usda.gov
Servicing: All of New Hampshire



* While additional USDA Rural Development area offices are located throughout Vermont and New Hampshire, the Guaranteed Rural Housing Program is administered through the offices in Montpelier, VT and Concord, NH

Rural Development Offices in Maine

Maine State Office

Virginia A. Manuel, State Director

967 Illinois Ave., Suite 4

P.O. Box 405

Bangor, ME 04402-0405

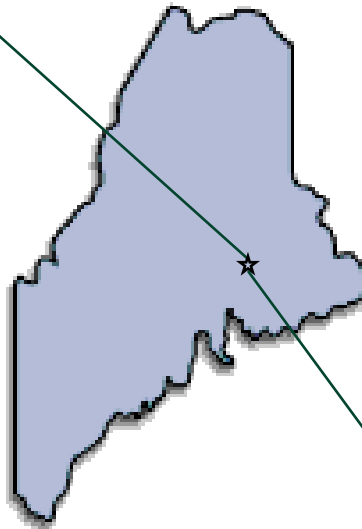
(207) 990-9110

(207) 990-9119 (fax)

TDD #: (207) 942-7331

On the web: www.rurdev.usda.gov/me

Servicing: All of Maine



Guaranteed Loan Processing Center (GLPC)

1423 Broadway, Suite 3

Bangor, ME 04401

(207) 990-3676, ext. 4

(207) 990-1957 (fax)

TDD #: (207) 942-7331

Email: GLPC@me.usda.gov

Processing Guaranteed Loans for all
of Maine

Rural Development Offices in Massachusetts, Connecticut and Rhode Island

State Office

Jay Healy, State Director

451 West Street, Suite 2
Amherst, MA 01002
(413) 253-4302
(413) 253-4347 (fax)
TDD# (for all offices): (413) 253-4590
Email: grh.amherst@ma.usda.gov
On the web: www.rurdev.usda.gov/ma
The state office oversees activity in the three state jurisdiction.

Holden Area Office

52 Boyden Road
Holden, MA 01520
(508) 829-4477 ext. 4
(508) 829-3721 (fax)
Email: grh.holden@ma.usda.gov
Servicing: Worcester, Middlesex, Suffolk, and Essex Counties

Hadley Area Office

195 Russell Street
Hadley, MA 01035
(413) 585-1000 ext. 4
(413) 586-8648 (fax)
Email: grh.hadley@ma.usda.gov
Servicing: Berkshire, Franklin, Hampshire, and Hampden Counties

West Wareham Area Office

15 Cranberry Highway
West Wareham, MA 02576
(508) 295-5151 ext. 3
(508) 291-2368 (fax)
Email: grh.westwareham@ma.usda.gov
Servicing: Bristol, Norfolk, Plymouth, Nantucket, Dukes, and Barnstable Counties

Windsor Area Office

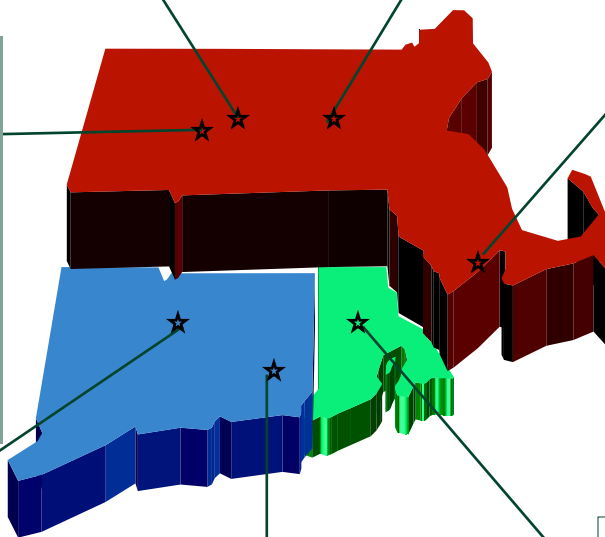
100 Northfield Drive
Windsor, CT 06095
(860) 688-7725 ext. 4
(860) 688-7979 (fax)
Email: grh.windsor@ct.usda.gov
Servicing: Tolland, Middlesex, Hartford, Litchfield, New Haven, and Fairfield Counties

Norwich Area Office

238 West Town Street
Norwich, CT 06360
(860) 859-5218 ext. 201
(860) 859-5223 (fax)
Email: grh.norwich@ct.usda.gov
Servicing: Windham and New London Counties

Warwick Area Office

60 Quaker Lane/Suite 44
Warwick, RI 02886
(401) 826-0842
(401) 826-6042 (fax)
Email: grh.warwick@ri.usda.gov
Servicing: All of Rhode Island



Web Resources

www.rdlist.sc.egov.usda.gov/listserv/mainervlet For important GRH program updates

<http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do> USDA Income and Property Eligibility Site

www.rurdev.usda.gov/rhs/sfh/GSFH_Information/GSFH_Specific.htm USDA Rural Development Guaranteed Housing

www.rurdev.usda.gov/rhs/sfh/GSFH_Information/lenders.htm USDA Rural Development Home Financing Options for Lenders

www.rurdev.usda.gov USDA Rural Development Home page

www.rurdev.usda.gov/rhs USDA Rural Development Housing and Communities Facilities Programs

www.rurdev.usda.gov/regs USDA Rural Development Instructions including Forms and Administrative Notices

www.rurdev.usda.gov/rhs/sfh/GSFH_Information/Common/quick_guide.htm Quick Guide USDA, Rural Development Guaranteed Rural Housing Loan

www.hud.gov/offices/hsg/sfh/sys/caivrs/caivrs.cfm Credit Alert Interactive Voice response System

www.efanniemae.com/sf/refmaterials/hrny/index.jsp Fannie Mae Historical Daily Required Net Yields

<https://usdalinc.sc.egov.usda.gov/RHShome.do> Lender Interactive Network Connection for Electronic Data Interchange (EDI) Reporting and lender training modules



Committed to the future of rural communities.